STATE OF MICHIGAN

CIVIL SERVICE COMMISSION

COORDINATED COMPENSATION PANEL

COORDINATED COMPENSATION PROPOSAL

for

FISCAL YEAR 2006

Recommendations for Nonexclusively Represented Employees of the State of Michigan Classified Service for the Fiscal Year Beginning October 1, 2005

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SUMMARY OF PROPOSAL

This year, the Office of the State Employer (OSE) and four Limited Recognition Organizations (LROs) reached a consensus agreement reflecting a coordinated approach to compensation increases and fringe benefits changes for fiscal year 2006.

THE PANEL PROPOSES that the Commission approve the following recommendations contained in that agreement pertaining to FY 2006. The Panel's proposal assumes ratification of the recently negotiated tentative agreements between the OSE and the exclusive representatives.

- A 1% across-the-board pay increase effective October 1, 2005, and another 1% across-the-board pay increase effective April 9, 2006.
- A special $1.50 per hour wage increase for Registered Nurse 12, Registered Nurse Manager 12, 13, 14, 15 and Registered Nurse Director 15, 16, and 17 classifications, effective October 1, 2005.
- A special $1.00 per hour wage increase for Practical Nurse Supervisor 11 and 12 classifications, effective October 1, 2005.
- A special 10% wage increase for the Pharmacist Manager 13 and 14 classifications, effective October 1, 2005.
- An optional signing bonus of up to $2,500 for new hires in Pharmacist Manager 13 and 14 positions, effective October 1, 2005.
- An optional signing bonus of up to $5,000 for new hires in excluded Dentist positions, effective October 1, 2005.
- An optional retention bonus of up to $5,000 for employees in excluded Dentist positions who have been employed for at least 2,080 hours at the end of the first full pay period in February 2006.
- Reassigning Treasury Investment Analyst classifications to pay schedules NERE-236 and NERE-237, and Treasury Investment Specialist classifications to new pay schedules mirroring the existing rates in schedule NERE-184, effective October 1, 2005.
- A special Lottery Sales Incentive Program for Lottery sales and marketing staff with incentives of up to $2,500 per year ($625 per quarter), awarded to eligible employees based on sales indicators, beginning October 1, 2005.

- A new base minimum pay step for all pay ranges in the compensation plan, effective October 1, 2005.
- Integrating the Coordinated Care Management Program into a comprehensive disease management program (Blue Health Connection), effective October 1, 2005.
- Integrating a PPO network for Durable Medical Equipment and Prosthetic and Orthotic appliances into the State Health Plan PPO, effective October 1, 2005.
- Change the Chiropractic Spinal Manipulation benefit reimbursement to a rate of 100% for in-network services after a $10 co-pay, and an out-of-network reimbursement rate of 90% after the deductible, effective October 1, 2005.
- An increase to the annual visit limitation for Physical, Occupational, and Speech Therapy from 60 to 90 visits, effective January 1, 2006.
- An increase to the annual Preventive Services maximum from $750 to $1,500 and exclude covered colonoscopy exams and childhood immunizations from the maximum limit, effective January 1, 2006.
- Limiting prescriptions filled under the State Health Plan at retail pharmacies to a 34-day supply, effective October 1, 2005.
- Add the benefit of Brush Biopsy coverage to the State Dental Plan, effective October 1, 2005.
- Limit the benefit period for “mental/nervous” Long Term Disability claims to 24 months from the beginning of the claim period, effective October 1, 2005.
- Change the Long Term Disability eligibility period for Plan II claimants who remain totally disabled to age 65, or a period of 12 months, whichever is greater, effective October 1, 2005.
- Add Election Day as a new holiday to be observed on General Election Day in even numbered years.
- Renewal of the Professional Development Fund for MSC employees at $150,000, and renewal of the Professional Development Fund for B & A unit employees at $50,000.

THE PANEL PROPOSES that the Commission approve the following recommendations contained in that agreement pertaining to FY 2005. The Panel’s proposal assumes ratification of the recently negotiated tentative agreements between the OSE and the exclusive representatives.

- Expand the current School Participation Leave provisions to also include Community participation, effective January 1, 2005.
- Increase the annual leave maximum accumulation cap at each level by 40 hours, while leaving payoff caps the same, effective January 1, 2005.
- Reinstate the banked leave time program at 4 hours per pay period for 21 pay periods beginning the pay period of January 2, 2005.

THE PANEL PROPOSES that the Commission deny the following recommendations:

- A special $0.38 per hour wage increase for Assistant Resident Unit Supervisors, as recommended by Mr. Gregory Brady.
- A special $1.50 wage increase for Corrections Shift Supervisors as recommended by Mr. Darwin Berthiaume.

THE PANEL ALSO PROPOSES that the Commission:

- Take no action at this time on the issue of amending the State Health Plan and the sick leave plan to include coverage for same sex domestic partners.
- Direct the DCS, with input from the OSE and affected departments, to conduct a study of the effectiveness of the recruitment and retention bonus programs for excluded Dentists and report its findings to the Panel prior to completion of the 2006 CCP proceedings for fiscal year 2008.
- Direct the DCS, with input from the OSE and the Bureau of State Lottery, to conduct a study of the effectiveness of the Lottery Sales Incentive Program and report their findings to the Panel during the 2006 CCP proceedings for fiscal year 2008.

OSE's Estimate of Known Savings - FY 2005

Estimated Savings from Banked Leave Time (1/2/05-10/22/05):	$38,121,900

OSE's Estimate of Known Costs and Savings - FY 2006

Estimated Cost of General and Special Wage Adjustments:	$20,701,800
Estimated Cost of Group Insurance Changes:	$499,100
Estimated Savings from Group Insurance Changes:	$1,268,500

INTRODUCTION

Civil Service Commission Rule 1-15.4(c) states that the Employment Relations Board shall serve as the coordinated compensation panel. Rule 5-1.3, *Coordinated Compensation Plan,* states*:*

> *The coordinated compensation panel shall send a recommended coordinated compensation plan for all nonexclusively represented classified employees to the civil service commission. The panel shall consider negotiated collective bargaining agreements, any impasse panel recommendations, and any recommendations of the employer or employees.*

Regulation 6.06, *Coordinated Compensation Plan,* establishes a process for participants and guidelines that may be used by the Panel in making its recommendations. Under the Regulation, participants in the Coordinated Compensation Plan (CCP) process include the Office of the State Employer (OSE) and organizations granted limited recognition rights under *Rule 6-8.3(b)*. The following four limited recognition organizations (LROs) participated in this year's CCP, via a consensus agreement with the OSE:

- Association of Assistant Attorneys General of Michigan (AAAGM)
- Association of State Employees in Management (ASEM)
- Michigan Association of Governmental Employees (MAGE)
- Michigan State Police Command Officers Association (MSPCOA)

Nonexclusively represented employees who are not members of LROs may also participate in the CCP process upon leave granted by the Panel. On August 16, 2004, the Department of Civil Service issued Advisory Bulletin 6.06-1, providing the guidelines for employees to submit requests to participate in the FY 2006 process. The deadline for submission was September 10, 2004. This year, two individuals participated in the process: Darwin Berthiaume, Corrections Shift Supervisor 11 at Standish Correctional Facility, and Gregory Brady, Assistant Resident Unit Supervisor 11 at Saginaw Correctional Facility.

The Panel held a hearing on November 19, 2004. The OSE and employee participants presented highlights of their positions and responded to the opposing party's response, as well as the questions of the Panel.

The following guidelines from Regulation 6.06, Standard D*,* are used by the Panel in making its determinations:

(1) *The public interest and welfare, including the current and forecasted financial condition of the State.*

(2) *Comparison of the overall compensation received by excluded and non-exclusively represented classified state employees with the overall compensation received by exclusively represented classified state employees as the result of negotiated agreements or impasse panel recommendations.*

(3) *Comparison of the rates of pay, the continuity and stability of employment, and the overall compensation and benefits received by excluded and non-exclusively represented classified state employees with employees performing similar services in other public employment and in private employment.*

(4) *Other appropriate considerations to the sound and rational determination of a coordinated compensation plan.*

ECONOMIC OVERVIEW

Consistent with the guideline from Regulation 6.06 to consider in its determinations, “the current and forecasted financial condition of the State,” the Panel received a briefing on FY06 revenue forecasts and budget projections during the hearing as part of the State Employer’s presentation. Statements and documents were received from Jeffrey Guilfoyle, Director of Economic and Revenue Forecasting in the Department of Treasury, and Nancy Duncan, Deputy State Budget Director, Department of Management and Budget. The following is a brief summary of the information provided.

At the national level, Mr. Guilfoyle reviewed several indicators pointing to continued moderate economic growth and continued growth in employment. In Mr. Guilfoyle’s opinion, continuing strength in the national economy will translate into growth in Michigan employment. This employment growth will be from a new baseline, however, as Michigan lost 22 percent of its manufacturing jobs over the last five years—from 908,200 in July 1999, to 706,000 in October 2004.

In terms of the revenue outlook, Mr. Guilfoyle presented the impact of assumed growth rates for revenues of 2% to 5% based on the FY 2005 GF/GP amount contained in the May 2004 forecast. A baseline revenue increase of 2% would result in $86.1 million more available to spend in FY 06 general fund/general purpose revenues than are currently in the FY 05 budget, and a 5% increase in revenue would result in an additional $321.8 million.

Revenue Scenarios for FY 2006

($ in millions)

FY 2005 GF-GP Amount	Assumed Growth	Gross New Revenue	Effect of Tax Changes	FY 2006 Net New Revenue
$7,856.3	2%	$157.1	($71.0)	$86.1
$7,856.3	3%	$235.7	($71.0)	$164.7
$7,856.3	4%	$314.3	($71.0)	$243.3
$7,856.3	5%	$392.8	($71.0)	$321.8

The State's projected budgetary pressures for FY 2006 were outlined by Ms. Duncan, as summarized in the chart below:

FY 2006 GF/GP Spending Pressures
($ in millions)

Issue	Low Range	High Range
Medicaid: Loss of Federal Special Financing	$150.0	$300.0
Medicaid: HMO Actuarial Rates	$65.0	$100.0
Medicaid: Caseload/Utilization Growth	$30.0	$115.0
FIA: Reduction in Federal TANF Balance	$0.0	$60.0
FIA: Caseload Growth	$15.0	$40.0
Corrections Bedspace	$45.0	$75.0
Merit Award Costs	$60.0	$70.0
Debt Service Increase	$47.0	$62.0
State Employee Pension Cost Increase	$30.0	$40.0
Loss of One-Time Revenue in FY 2005 Budget	$20.0	$30.0
Total	**$462.0**	**$892.0**

Medicaid will be impacted by a loss of federal special financing, federal requirements that HMOs that serve Medicaid clients be paid at actuarially determined rates, and continued growth in Medicaid caseload and utilization. *FIA* may be impacted by the reduction in the Federal Temporary Assistance to Needy Families fund balance, and by caseload growth mainly in child welfare and daycare programs. *Corrections* bedspace continues to exert budgetary pressures. Despite the slowing of growth of entry into the system, truth-in-sentencing requirements require prisoners to serve their minimum sentence, and therefore, they are remaining in the system longer. *Michigan Merit Award* costs relate to a change last year that split the $2500 award over two years. While this resulted in a one-time savings in the budget for FY 05, FY 06 will see both first year and second year payments. *Debt Service Increase* relates both to an increase in debt service costs and some new debt issuances primarily related to the Clean Michigan Initiative. *State Employee Pension Cost Increase* is largely related to stock market losses being made up over a period of five years. Finally, there is the loss of a few *One-Time Revenue* items from the FY 05 budget that will need to be accounted for in FY 06.

Ms. Duncan noted that the chart does not reflect any increases in discretionary spending for higher education, local revenue sharing, rate increases for providers or clients, or state employee economics. When asked about the gap between expected revenues and spending pressures, Ms. Duncan explained that the state is currently engaged in the executive budget process—first, prioritizing all programs and expenditures, then developing a budget to fund higher priority items and cut or reduce funding for lower priority items. Ms. Duncan had earlier noted that the Governor's budget will be balanced when it is presented in February.

I. General Wage Adjustment

A. Base Pay Increase

The OSE, AAAGM, ASEM, MAGE, and MSPCOA, in their consensus agreement, recommend a 1% general wage adjustment effective October 1, 2005 and a 1% general wage adjustment effective April 9, 2006 for all nonexclusively represented employees. It is consistent with the wage increases negotiated between the OSE and most of the exclusive representatives for the fiscal year beginning October 1, 2005, pending approval of the Civil Service Commission. The OSE estimates the cost of the two 1% increases for 14,709 non-exclusively represented employees to be $18,140,800 million, including the impact of wage-based roll-ups (FICA, retirement, long term disability, life insurance, overtime, and shift differentials).

Discussion

In its discussions, the Panel expressed concerns over the current and projected condition of the state's economy. The "current and forecasted financial condition of the State" is listed in Civil Service Regulation 6.06, as one of the four guidelines to be used in making its Coordinated Compensation Plan recommendations to the Commission.

While the State's economic condition is an important factor in developing this recommendation, the Panel recognizes it must also consider the compensation received by exclusively represented employees. Similar general wage increases effective October 1, 2005 and April 9, 2006, have been negotiated for all exclusively represented employees, except those represented by MSPTA, with whom negotiations will be scheduled and held next year. Equity between nonexclusively and exclusively represented employees within the state must be considered.

The Panel also noted and respects the good faith consensus agreement reached between the OSE and the LROs.

Recommendation

THE PANEL RECOMMENDS that the Commission approve a 1% across-the-board base wage increase for nonexclusively represented employees, effective October 1, 2005, and a 1% across-the-board base wage increase for nonexclusively represented employees, effective April 9, 2006, consistent with the wage adjustments negotiated for exclusively represented employees.

II. Special Adjustments and Premiums

A. Registered Nurse 12, Registered Nurse Mgr. 12, 13, 14, 15, and Registered Nurse Director 15, 16, 17

The OSE and the parties to the 2004 consensus agreement recommend a special $1.50 per hour wage increase for all employees in the above listed nonexclusively represented Registered Nurse classifications. The special adjustment is proposed to take effect on October 1, 2005 and is to be applied prior to any approved general wage adjustment. The estimated cost of this proposal is $1,900,000.

The OSE indicated that this increase is the same as that proposed in the tentative agreement reached with the UAW for all represented Registered Nurse classifications. At the November 19, 2004 hearing, Tom Hall (OSE) indicated that the special increase was also being requested for nonexclusively represented Registered Nurse classifications for internal equity reasons and to avoid pay compression issues with subordinate UAW nurses who bargained for the special wage adjustment. Mr. Hall also cited recruitment and retention difficulties as rationale for the increase. He noted that at the Duane Waters Hospital alone, there are currently 36 registered nurse vacancies.

B. Practical Nurse Supervisor 11 and 12

The OSE and the parties to the 2004 consensus agreement also recommend a special $1.00 per hour wage increase for Practical Nurse Supervisors 11 and 12, effective October 1, 2005. The estimated cost of this proposal is $61,200.

The OSE stated that this special increase is the same as that included in the tentative agreement for Licensed Practical Nurses represented by AFSCME.

C. Pharmacist Manager 13 and 14

The parties to the 2004 consensus agreement recommend a special 10% wage increase for all Pharmacist Managers 13 and 14, effective October 1, 2005. The estimated cost of this increase is $91,600.

They also recommend implementation of an optional signing bonus that may be paid to attract eligible employees to Pharmacist Manager 13 and 14 positions. The bonus is to be paid to new hires only, up to $2,500, effective beginning October 1, 2005. Employees receiving the bonus must agree to pay back the entire amount, including tax withholding thereon, if they leave the department within one year of the appointment.

Mr. Hall indicated that the 10% increase and signing bonus are consistent with proposals included in the tentative agreement reached with SEIU for represented pharmacists. The August 2004 Rye salary survey introduced at the hearing by the OSE showed that the State of Michigan average Pharmacist wage was $26.92 per hour while the average pharmacist pay rate of those employers surveyed was $39.97 per hour, a 48% differential.

Discussion

All of the above Special Wage Adjustments are included in the consensus agreement and supported by the four participating LROs. They are also consistent with the tentative agreements between the OSE and the three exclusive representatives covering the subordinate employees.

As noted earlier in this Recommendation, the Panel must consider the current and forecasted financial condition of the state in making its proposal to the Commission. Based on the economic projections presented by representatives from the Department of Treasury and the Office of the Budget, the Panel expressed concern over approving any special wage adjustments at this time. However, economic forecasts are only one of the several factors to be considered. The Panel must also consider compensation received by exclusively represented employees as well as employees in similar positions in other public and private employment, and any other considerations it deems appropriate.

The Panel concludes that the evidence submitted by the OSE showing recruitment and retention difficulties for Registered and Licensed Practical Nurses, along with the Rye survey data showing strong evidence of below market salaries for Pharmacists, and the special increases proposed in tentative agreements reached with the corresponding exclusive representatives, warrants approval of the recommended special wage adjustments.

Therefore, **THE PANEL RECOMMENDS** that the Commission approve the following:

- Effective October 1, 2005, a $1.50 per hour wage increase for all Registered Nurse (confidential), Registered Nurse Managers, and Registered Nurse Directors.
- Effective October 1, 2005, a $1.00 per hour wage increase for all Practical Nurse Supervisors.
- Effective October 1, 2005, a 10% wage increase for all Pharmacist Managers.

D. <u>Dentist</u>

The OSE and the parties to the 2004 consensus agreement recommend implementation of an optional signing bonus program for excluded Dentist positions, effective October 1, 2005. The bonus would be a one-time lump sum of up to $5,000 paid to new hires. Employees receiving the bonus must agree to pay back the entire amount, including tax withholding thereon, if they leave the department within one year of the appointment. The bonus should only be paid to secure a commitment from qualified candidates when filling hard-to-fill positions.

The consensus agreement also recommends implementation of an optional retention bonus for excluded Dentist positions. The bonus would be an amount of up to $5,000 to be paid to employees who have been employed by the state for at least 2,080 hours by the end of the first full pay period of February 2006, to be processed as a gross pay adjustment in the pay check for that pay period. The OSE stated that this proposal was being made on a trial basis "in light of the difficulty the State is currently experiencing in the recruitment and retention of excluded Dentists."

<u>Discussion</u>

This is the fourth time in the last six years that a special wage adjustment for excluded Dentists has been raised to the Panel. Based on testimony received by the Panel over the years, evidence of recruitment and retention problems are clear. In 2001, the Panel expressed concern over the number of vacancies, but recognized that the Department of Corrections appeared to be satisfied with the dental services it was able to provide through additional overtime for existing dentist positions and supplementing services with contractual employees.

The Panel commends the parties to the 2004 consensus agreement for developing programs aimed at alleviating the recruitment and retention difficulties. The proposed bonus programs are designed to attract and retain employees necessary for providing required dental services, and the Panel supports these efforts. However, the Panel also recognizes that these programs may not have the impact on recruitment and retention of qualified employees that the parties intend. Therefore, a study of the impact of the bonuses should be conducted by the DCS prior to the 2006 Coordinated Compensation Panel proceedings for fiscal year 2008. The study should include data on the number of employees receiving the bonuses, the number of those employees who subsequently separated from state employment, and comparative data showing vacancy and turnover rates before and after implementation of the bonus programs.

THE PANEL RECOMMENDS that the Commission approve implementation of the optional signing bonus program excluded Dentists, effective October 1, 2005. **THE PANEL ALSO RECOMMENDS** that the Commission approve the optional retention bonus program for excluded Dentists, effective the first full pay period of February 2006.

THE PANEL FURTHER RECOMMENDS that the Commission approve both of these programs on a pilot basis, to be examined again during the 2006 CCP proceedings. The Panel recommends that the Commission direct the Department of Civil Service to conduct an evaluation, with input from the Office of the State Employer and affected departments, of the effectiveness of both programs to be made available to the Panel prior to those proceedings.

E. Treasury Investment Analysts and Specialists

The OSE and the parties to the 2004 consensus agreement recommend moving the Treasury Investment Analyst 9, 10, P11 and 12 to pay schedules NERE-236 and NERE-237, and moving the Treasury Investment Specialists 13, 14, and 15 to new pay schedules that mirror the pay steps in schedule NERE-184. Employees would be moved step for step into the new ranges. The estimated cost of this proposal is $314,500.

Mark Haas, Bureau of Investments, Department of Treasury, addressed the Panel at the hearing to provide rationale for the proposed increase. Mr. Haas stated that Michigan has the 12th highest public pension fund in the country, managing about $50 billion of assets. He cited results from 5 independently conducted compensation surveys of public pension funds. The survey results indicate that Michigan investment professionals receive lower compensation than many of their peers, 31% lower than the average for other public fund investment analysts and 20% lower than the average for investment specialists. One of the surveys, the RV Kuhns study, shows that Michigan has one of the highest investment staff turnover rates of public funds. Mr. Haas noted that just in the 18 months he has been with the Bureau, they have had to replace 7 vacated positions.

Discussion

Based on the information provided in Mr. Haas' presentation, along with clear support from the Department of Treasury and the parties to the consensus agreement, the Panel supports the request for higher compensation levels for these investment professionals.

Recommendation

THE PANEL RECOMMENDS approval of the pay range reassignment requested for the Treasury Investment Analysts and Specialists, effective October 1, 2005.

F. Lottery Sales Incentive Program

The OSE and the parties to the 2004 consensus agreement recommend implementation of a Sales Incentive Program for the Michigan Lottery's sales and marketing staff, effective October 1, 2005. The program would apply to employees in the following classifications: Lottery Sales Representative 10, 11, and 12, Lottery Sales Regional Manager 13, 14, and 15, and Promotional Specialists 14 and 15. To qualify, employees must have a satisfactory quarterly review based on goals, which are directed to increase sales in targeted retail outlets. The new program would be based on the existing Retailer Instant Ticket Commission Incentive Program which has been in place for two years. If the percentage of retailers in an employee's area of account responsibility who achieve the quarterly sales goal increases, the employees receive the award for that bracket. Sales reports will be used to determine bracket levels for each segment. A maximum amount of $2,500 per year, $625 per quarter, could be awarded to eligible employees based on the brackets. The Bureau of State Lottery has the right to discontinue the program at the beginning of any quarter. The estimated cost of this program is $193,700.

Discussion

The Panel recognizes that the Bureau of State Lottery is a unique entity within state government because of the nature of Lottery sales and the expectations for Lottery revenues. While the Panel is unsure if the sales incentives being proposed will actually result in increased Instant ticket sales and increased revenues, it believes that the Program supported by the agency and the parties to the consensus agreement merits approval by the Civil Service Commission on a pilot basis.

Recommendation

THE PANEL RECOMMENDS that the Commission approve the proposed Sales Incentive Program on a pilot basis, effective October 1, 2005. **THE PANEL ALSO RECOMMENDS** that one year after implementation the Department of Civil Service conduct a study, with input from the Office of the State Employer and the Bureau of State Lottery, to determine the program's effectiveness, and share the findings with the Panel during the fall of 2006 at its hearing for fiscal year 2008.

G. New Base Minimum

The parties to the 2004 consensus agreement recommend the creation of a new base minimum pay rate for each pay range in the compensation plan, effective October 1, 2005. This new minimum rate is equal to the current minimum step minus the difference between the current minimum and the first step in the range. For example, if the current minimum is $15.00 and the first step is $15.25, the new minimum rate would be $14.75. In any instances where an employee is placed at a lower step in the range upon promotion than they would have received under the previous minimum pay structure, the employing agency would grant an additional pay step under provisions of Civil Service Regulation 5.01, Standard D, 3, a (3), Accelerated Step Increases.

Discussion

The OSE confirmed that this same provision is included in the tentative agreements recently negotiated with the exclusive representatives. The Panel recognizes the potential for cost savings associated with this measure, while ensuring that current employees are not negatively impacted by the change. The ability to hire above the minimum rate is also still available in those cases where a higher rate is necessary to attract qualified candidates.

Recommendation

Therefore, **THE PANEL RECOMMENDS** that the Commission approve the new base minimum pay structure proposed in the 2004 consensus agreement, effective October 1, 2005.

H. Assistant Resident Unit Supervisor 11

Employee Recommendation

Gregory Brady, Assistant Resident Unit Supervisor 11 at Saginaw Correctional Facility, recommends a $0.38 per hour increase for each step in the pay range for Assistant Resident Unit Supervisors. Mr. Brady's argument is based on a comparison of the wage differential between Corrections Shift Supervisors and Corrections Officers, with the differential between Assistant Resident Unit Supervisors and Resident Unit Officers. Mr. Brady's wage analysis includes base pay, shift differential premium, holiday overtime, and furlough hours. He concluded that there is a 10.21% differential between Corrections Shift Supervisors and the Corrections Officers they supervise, while there is only a 9.84% (1st shift) or a 5.32% (2nd shift) differential between ARUS 11's and the RUO's they supervise. In order to bring these differentials closer together, he made a recommendation for a special $0.38 per hour increase for the ARUS 11. During the hearing, Mr. Brady indicated that his subordinates will earn about $640 more than him next year. He told the Panel that this additional $640 is based solely on the holiday overtime that his subordinates receive. The supervisors are not required to work on holidays.

OSE Response

The OSE is opposed to any special wage adjustment for the Assistant Resident Unit Supervisor classification. They noted in their response statement that there are many different pay differentials between supervisors and subordinates in state government, and there is no reason to tie these particular pay differentials together.

Discussion

The Panel is not convinced that a pay increase for Assistant Resident Unit Supervisors is warranted. Mr. Brady acknowledged that the pay disparity he observed was caused by supervisors not working holidays, yet he said one of the reasons he accepted the promotion to a supervisor position was that he did not want to work on holidays.

The Panel has consistently found that supervisor and subordinate pay differentials vary across state government, and it does not support the concept of a standardized wage differential.

Also, Mr. Brady failed to present any information to suggest the existence of any recruitment or retention problems for employees in this classification.

Recommendation

Therefore, **THE PANEL RECOMMENDS** that the Commission reject Mr. Brady's request for a special $0.38 per hour increase for Assistant Resident Unit Supervisors.

I. Corrections Shift Supervisor 11

Mr. Darwin Berthiaume, Corrections Shift Supervisor 11 at Standish Correctional Facility, requests a special $1.50 per hour pay increase for Corrections Shift Supervisors 11 (CSS). Mr. Berthiaume's request is based on the following points: the Department of Corrections is unable to recruit qualified supervisors; the CSS 11's continue to supervise Resident Unit Officers in the housing units; sergeants no longer receive overtime for working on paid holidays; they no longer receive pre-shift line-up pay; and the nonexclusively represented supervisors were required to take unpaid furlough hours during fiscal year 2004 that their MCO subordinates did not take.

OSE Response

The OSE is opposed to any special increase for Corrections Shift Supervisors.

The employer noted that a special increase has been requested for CSS 11s during nine straight CCP proceedings in the past, from 1993 to 2001. Each time, the special adjustments were denied by the Panel because evidence supported the fact that Corrections Shift Supervisors were not supervising the RUOs as the requestors argued. The OSE also pointed out that nothing has changed since this issue was last raised, nor has any evidence been submitted to suggest the existence of recruitment or retention problems.

Discussion

In its Fiscal Year 2003 proposal to the Civil Service Commission, the Panel noted its expectation that this issue had finally been closed after the Civil Service classification study affirmed that the presence of CSS 11's in housing units does not compromise the classification of any employees in those units. Absent any new or compelling information, the Panel did not expect to see the issue raised again.

When Mr. Berthiaume's request to participate was received, the Panel granted the employee leave to participate with the understanding that his request was based on recent compensation changes and recruitment and retention problems.

However, Mr. Berthiaume did not present any evidence of recruitment and/or retention difficulties, other than anecdotal stories of supervisors who were denied the ability to demote back to Corrections Officer positions. Lacking any new information, the Panel is inclined to reject the special request again.

In order to prevent the same request being made in the future, and consistent with the position taken by the OSE at the hearing, the Panel will require submission of clear evidence of recruitment and/or retention difficulties for the CSS 11's, and any other relevant information that is **new and compelling** which could support granting a special increase. The issue will not be considered again without this additional information.

Recommendation

THE PANEL RECOMMENDS that the Commission deny Mr. Berthiaume's request for a special $1.50 per hour wage increase for Corrections Shift Supervisor 11's. **THE PANEL ALSO RECOMMENDS** that the above listed information be included in any future position statements on this issue.

III. GROUP INSURANCE

A. Coordinated Care Management (CCM) Program, State Health Plan

The consensus agreement between OSE and the LROs recommends integrating the Coordinated Care Management Program into a comprehensive disease management program, currently known as Blue Health Connection. This change would be effective October 1, 2005. OSE estimates savings of $65,000.

B. Network for Durable Medical Equipment (DME and Prosthetic and Orthotic (P&O), State Health Plan

The consensus agreement between OSE and the LROs recommends integrating a PPO network for durable medical equipment (DME) and Prosthetic and Orthotic (P&O) appliances into the State Health Plan PPO. DME and P&O appliances within the network would be covered at 100% with no deductible while out-of-network appliances would be covered at 80%. This change would be effective October 1, 2005. OSE estimates savings of $195,000.

C. Chiropractic Spinal Manipulation, State Health Plan

The consensus agreement proposes changing the Chiropractic Spinal Manipulation benefit from the current reimbursement of 90% after a $200/$400 deductible to reimbursement of 100% for in-network services after a $10 co-pay, and out-of-network reimbursement of 90% after the deductible. This change would be effective October 1, 2005. OSE estimates savings of $254,800.

D. Physical, Occupational, Speech Therapy Visit Limitation, State Health Plan

The parties to the consensus agreement recommend an increase in the annual visit limitation for Physical, Occupational and Speech Therapy from 60 to 90 visits. This change would be effective January 1, 2006. OSE estimates costs of $26,300.

E. Preventive Services Annual Maximum, State Health Plan

The consensus agreement between OSE and the LROs recommends increasing the annual Preventative Services maximum from $750 to $1,500 and the exclusion of covered colonoscopy exams and childhood immunizations from the maximum limit. Services will be covered at 100% in-network with no deductible and 90% out-of-network with the deductible. This change would be effective January 1, 2006. OSE estimates costs of $458,100.

F. Prescription Drug Plan

Effective October 1, 2005, the parties to the consensus agreement recommend that prescriptions filled under the State Health Plan at a participating pharmacy only be approved up to a 34-day supply, allowing the option for a 90-day supply for employees utilizing the mail order benefit. OSE estimates savings of $123,000.

G. State Dental Plan

The parties to the 2004 consensus agreement recommend the addition of Brush Biopsy coverage to the State Dental Plan, effective October 1, 2005. This is a supplemental diagnostic test that detects oral cancer during its earliest stages. OSE estimates costs of $14,700.

H. Long Term Disability

Effective October 1, 2005, parties to the 2004 consensus agreement propose limiting the benefit period for “mental/nervous” claims to 24 months from the beginning of the time a claimant is eligible. This limit does not apply to mental health claims where the claimant is under inpatient care. The parties also recommend changing the eligibility period for Plan II claimants who remain totally disabled to age 65, or for a period of 12 months, whichever is greater. OSE estimates savings of $630,700.

Discussion

All of the above Group Insurance recommendations are included in the consensus agreement between the State Employer and the LROs. The recommendations are also consistent with the benefit adjustments negotiated between the OSE and most of the exclusive representatives for the fiscal year beginning, pending approval of the Civil Service Commission.

Therefore, **THE PANEL RECOMMENDS** that the Commission approve:

- Effective October 1, 2005, integrate the Coordinated Care Management Program into a comprehensive disease management program, currently known as Blue Health Connection.
- Effective October 1, 2005, integrate a PPO network for durable medical equipment (DME) and Prosthetic and Orthotic (P&O) appliances into the State Health Plan PPO with DME and P&O appliances within the network covered at 100% with no deductible and out-of-network appliances covered at 80%.

- Effective October 1, 2005, change the Chiropractic Spinal Manipulation benefit from the current reimbursement of 90% after a $200/$400 deductible to reimbursement of 100% for in-network services after a $10 co-pay, and out-of-network reimbursement of 90% after the deductible.
- Effective January 1, 2006, increase the annual visit limitation for Physical, Occupational and Speech Therapy from 60 to 90 visits.
- Effective January 1, 2006, increase the annual Preventative Services maximum from $750 to $1,500 and exclude covered colonoscopy exams and childhood immunizations from the maximum limit. Services will be covered at 100% in-network with no deductible and 90% out-of-network with the deductible.
- Effective October 1, 2005, the prescriptions filled under the State Health Plan at a participating pharmacy will only be approved up to a 34-day supply, allowing the option for a 90-day supply for employees utilizing the mail order benefit.
- Effective October 1, 2005, add Brush Biopsy coverage to the State Dental Plan.
- Effective October 1, 2005, parties limit the benefit period for “mental/nervous” claims to 24 months from the beginning of the time a claimant is eligible. This limit does not apply to mental health claims where the claimant is under in-patient care. Additionally, change the eligibility period for Plan II claimants who remain totally disabled to age 65, or for a period of 12 months, whichever is greater.

I. State Health Plan Coverage

The Consensus Agreement proposes that the State Health Plan be amended to include coverage for “same sex domestic partners.”

Discussion

The State Employer negotiated similar language in each of the proposed collective bargaining agreements. The State Employer has not yet proposed any definition of "same sex domestic partner" nor suggested how such a concept would be implemented.

On November 2, 2004, the voters approved an amendment to the Michigan Constitution, a new Article 1, §25, to be effective on December 17, 2004:

> To secure and preserve the benefits of marriage for our society and for future generations of children, the union of one man and one woman in marriage shall be the only agreement recognized as a marriage or similar union for any purpose.

An evaluation of whether same sex domestic partner benefits may violate Article 1, §25, depends on both an interpretation of Article 1, §25, and a clear definition of what it is to be a "same sex domestic partner." In the absence of any such definition, it is not possible for this Panel to make a recommendation to the Commission.

Subsequent to the hearing, the State Employer, with the agreement of the exclusive representatives, indicated that the administration would not bring the provisions of the collective bargaining agreements pertaining to same sex domestic partner benefits to the Civil Service Commission for approval until the legal questions created by the interaction of these provisions and the new Constitutional Amendment are answered. Likewise, and for the same reason, the State Employer has indicated that approval of these benefits for non-exclusively represented employee is not being requested of the Commission at this time.

Recommendation

THE PANEL RECOMMENDS that the Commission take no action on this issue until the legal questions created by the interaction of these provisions and the new Constitutional Amendment are answered.

IV. OTHER GROUP BENEFITS

A. Professional Development Funds

The consensus agreement recommends continuation of the funds at their current levels. The fund for MSC employees would remain at $150,000, and the fund for B & A employees would be renewed at its current level of $50,000.

Discussion

The Panel continues to support and encourage the professional development of the state workforce, even in times of budgetary constraints.

Recommendation

THE PANEL RECOMMENDS that the MSC fund be renewed at its current level of $150,000, and the B & A fund be renewed at $50,000.

V. MISCELLANEOUS

A. Election Day

The parties to the consensus agreement recommend the addition of Election Day as a new holiday to be observed on the day of the general election in even numbered years.

Discussion

The addition of the Election Day holiday is included in most of the agreements negotiated between the OSE and the exclusive representatives for the fiscal year beginning October 1, 2005, pending approval of the Civil Service Commission.

Due to the 24/7 scheduling needs of Corrections and Community Health facilities, two units (Security Unit and Institutional Unit) will receive an additional four hours of annual leave each year rather than the Election Day holiday. The Panel considered this option for NEREs, especially for supervisors and managers at Corrections and Community Health facilities, but ultimately decided that supervisory coverage at these facilities would best be handled by agency management following current holiday procedures.

Recommendation

THE PANEL RECOMMENDS the addition of Election Day as a new holiday to be observed on the day of the general election day in even numbered years.

B. School and Community Participation Leave

In their consensus agreement, the State Employer and the LROs recommend expanding the current School Participation Leave provision to include community participation. The agreement included revised language for Regulation 5.09 outlining the new leave policy. In addition to school activities, the leave would be available for use for, "active participation in any structured secular community activity sponsored by a governmental agency, or a non-profit community organization or agency, and not for mere attendance at school or community events."

Discussion

In its discussion, the Panel expressed its continued support for programs aimed at facilitating the participation of state employees in community and school activities. The OSE confirmed that this same provision is included in the tentative agreements recently negotiated with the exclusive representatives.

Recommendation

THE PANEL RECOMMENDS that the Commission expand the current School Participation Leave provision to include community participation.

C. Sick Leave

The consensus agreement includes a recommendation to modify the Sick Leave Regulation expanding the definition of immediate family to include same sex domestic partner, effective January 1, 2005.

Discussion

See the discussion regarding the extension of coverage of the State Health Plan, Section III, Group Insurance, Subsection I, State Health Plan Coverage, above.

D. Annual Leave

The parties to the consensus agreement recommend increasing the annual leave maximum accumulation cap by 40 hours for each accrual level, effective January 1, 2005. The current cap shall be maintained for annual leave payoff amounts.

Discussion

Increased annual leave maximum accumulation caps are included in most of the agreements negotiated between the OSE and the exclusive representatives pending approval of the Civil Service Commission.

Recommendation

THE PANEL RECOMMENDS that the Commission approve the proposed increase of the annual leave maximum accumulation cap by 40 hours for each accrual level, effective January 1, 2005

E. Banked Leave Time

The 2004 consensus agreement proposes that Banked Leave Time (BLT) be reinstated at 4 hours per pay period for 21 pay periods, effective January 2, 2005. Estimated savings: $38,121,900.

Discussion

In its discussions, the Panel recognized the BLT program as less onerous and more flexible than other possible cost saving measures. The Panel also notes that continuation/reinstatement of BLT for NEREs is consistent with similar programs negotiated between the OSE and most of the exclusive representatives for the fiscal year beginning October 1, 2005, pending approval of the Civil Service Commission. However, the Panel did express concern over the lack of equity in the absence of a no-layoff guarantee for employees in NERE classifications similar to that negotiated with most represented units covering the period of the BLT program.

Recommendation

THE PANEL RECOMMENDS that the Commission approve the reinstatement of the Banked Leave Time program for NEREs for 21 pay periods at 4 hours per pay period, effective the pay period beginning January 2, 2005.